

STATE OF NEVADA

GAMING CONTROL BOARD



MINIMUM INTERNAL CONTROL STANDARDS

Note: When adopted in 1997, these standards applied to both Group I and Group II licensees. In February 2000, the Nevada Gaming Commission amended the definition of “Group II licensee” and revised Regulation 6.090 to require that Group II licensees (i.e., redefined as those licensees with annual gross gaming revenues of less than \$3 million) follow Internal Control Procedures rather than the Minimum Internal Control Standards. Therefore, although these standards make numerous references to Group II licensees, these standards no longer apply to such licensees – they only apply to those licensees with annual gross gaming revenues of \$3 million or more. References to Group II licensees will be deleted with the next formal revision of the Minimum Internal Control Standards.

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FOR GROUP I AND GROUP II LICENSEES

MANUAL KENO

Physical Controls Over Equipment Utilized

1. The keno write and desk area is restricted to specified personnel (desk area is restricted to preclude writers from accessing inside tickets).
2. There is effective periodic maintenance planned to service keno equipment.
3. Keno equipment maintenance is independent of the keno function.
4. Keno maintenance reports irregularities to management personnel independent of keno, either in writing or verbally.

Game Play Standards

5. The individual controlling inside tickets either:
 - a. Is precluded from writing and making payouts, including during writer's break periods; or
 - b. Has all winning tickets written by him with payouts exceeding \$25.00 verified, regraded, and compared to the inside ticket by another keno employee. Additionally, this individual writes tickets out of his own predesignated writer's station and bank (unless a community bank is used).
6. A keno game may only be operated by one person if the licensee's keno write is less than \$500,000 for the 12-month period ended June 30th and provided the additional audit procedures in Standard #42 are performed.

Note: At no time will a keno game with annual write of greater than or equal to \$500,000 be operated by one person.

7. Both inside (ticket presented by customer for play) and outside (receipt ticket given customer by keno writer) keno tickets are stamped with the date, ticket sequence number, and game number (as applicable to the system being used).

Note: The ticket will indicate that it is multi-race (if applicable).

8. The game openers and closers are stamped with the date, ticket sequence number, and game number. An alternative which provides the same controls is acceptable.
9. Controls exist to ensure that inside tickets have been received from outstations prior to calling of a game.

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10. Controls exist to prevent the writing and voiding of tickets after a game has been closed.
11. A legible restricted copy of written keno tickets is created (carbonized locked box copy, microfilm, videotape, etc.) for, at a minimum, all winning tickets exceeding \$30.00. If there are no restricted copies of winning tickets of \$30.00 or less, then the desk person does not write tickets.
12. Procedures are established for locking out or closing down all mechanisms for ticket writing/filming and time stamp equipment while keno balls for that race are being selected.
13. When it is necessary to void a ticket which contains the sequence number, the ticket is designated as "void" and initialled or signed by at least one person.

Number Selection

14. A camera is utilized to film the following both prior to, and subsequent to, the calling of a game:
Empty rabbit ears, date and time, game number, and full rabbit ears.
15. The picture of the rabbit ears on the camera provides a legible identification of the numbers on the balls drawn.
16. Keno personnel will produce a draw ticket as numbers are drawn, and such tickets contain the race number, numbers drawn, and date. The draw ticket is verified to the balls drawn by a second keno employee.
17. Procedures are in effect which prevent unauthorized access to keno balls in play.
18. Back-up keno ball inventories are secured in a manner to prevent unauthorized access.
19. Effective procedures are established for inspecting new keno balls put into play as well as for those in use.

Winning Ticket Verification and Payment

20. All winning tickets are compared with the draw ticket by the writer before being paid, marked with evidence that the ticket was "paid" and marked with the amount of the payout.
21. Payouts over a predetermined amount (not to exceed \$30.00) are verified by actual examination of the inside ticket.

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22. Wins over a specified dollar amount (not to exceed \$10,000 for locations with annual keno write in excess of \$5,000,000 and \$3,000 for all other locations) also require the following:
- a. Approval of management personnel independent of the keno department evidenced by their signature.
 - b. Examination of films of rabbit ears prior to and after the game is called to determine that the same numbers called were not left up from the prior game and to verify the accuracy of the draw ticket.
Note: If necessary, film may be developed as soon as possible after payouts.
 - c. Regrading of the inside ticket and comparison of both the winning ticket presented for payment and the inside ticket to the restricted copy (machine copy, microfilm, videotape, etc.).
 - d. Procedures described above are documented for later verification and reconciliation by the keno audit process on a ball check form.

Check Out Standards

23. A cash summary report (count sheet) is prepared for the end of every shift which includes:
- a. Computation of cash proceeds for the shift by bank (i.e., community bank or individual writer banks, whichever is applicable).
 - b. Signatures in ink of two employees who have verified the cash proceeds recorded in the above computation.

Statistics

24. Records are maintained which include (for each licensed game) win, write, and win-to-write hold percentage for:
- a. Each shift.
 - b. Each day.
 - c. Month-to-date.
 - d. Year-to-date.

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- 25. Non-keno management reviews keno statistical information at least on a monthly basis and investigates any large or unusual statistical fluctuations.
- 26. Such investigations are documented and maintained.

Key Control

- 27. Keys to locked box tickets are maintained by a department independent of the keno function.
- 28. Someone independent of the keno department is required to accompany such keys to the keno area and observe repairs or refills each time locked boxes are accessed.
- 29. The master panel, which safeguards the wiring that controls the sequence of the game, is locked at all times to prevent unauthorized access.
- 30. Master panel keys are maintained by a department independent of the keno function.
- 31. Someone independent of the keno department is required to accompany such keys to the keno area and observe repairs, etc., each time the master panel is accessed.
- 32. Microfilm machine keys are maintained by personnel who are independent of the keno writer function.
- 33. Someone independent of the keno writer function (e.g., a keno supervisor who doesn't write or someone independent of keno) is required to observe each time the microfilm machine is accessed by keno personnel.
- 34. Keno equipment discussed above is always locked when not being accessed.
- 35. All electrical connections are wired in such a manner so as to prevent tampering.
- 36. Duplicate keys to the above areas are maintained independently of the keno department.

Keno Audit

Note 1: Audit procedures may be performed up to one month following the transaction.

Note 2: The keno audit function is independent of the keno shift being audited for the next two standards.

- 37. Keno audit personnel foot write (either inside ticket or restricted copy) and payouts (customer copy) to arrive at an audited win/loss by shift.
- 38. Keno audit personnel obtain an audited win/loss for each bank (i.e., individual writer or community).

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Note: The keno audit function is independent of the keno department for the next five standards.

39. The keno receipts (net cash proceeds) are compared with the audited win/loss by keno audit personnel.

40. Major cash variances (i.e., overages or shortages in excess of \$25.00) noted in the preceding comparison are investigated on a timely basis.

41. On a sample basis (for at least one race per shift or ten races per week) keno audit personnel perform the following, where applicable:

Note: The majority of the races in the sample selected must contain payouts in excess of \$100.00 but less than the amount established for the independent verification required by Standard #22.

a. Regrade winning tickets utilizing the payout schedule and draw tickets and compare winning tickets (inside and outside) to restricted copies (locked box copy, developed microfilm, videotape, etc.) for 100% of all winning tickets of \$100.00 or greater and 25% of all winning tickets under \$100.00 for those races selected.

b. Either review sequential numbering on inside tickets (microfilm and videotape systems) to ensure that tickets have not been destroyed to alter the amount of write, or compute write from developed film and compare to write computed from inside tickets.

c. Review restricted copies for blank tickets and proper voiding of voids.

42. In addition to the above audit procedures, when a keno game is operated by one person:

a. At least 25% of all other winning tickets are regraded.

b. At least 10% of all tickets are traced to the restricted copy.

c. Film of rabbit ears is randomly compared to draw tickets for at least 25% of the races.

43. Draw tickets are compared to rabbit ears film for at least five races per week with payouts which do not require draw ticket verification independent of the keno department. (The draw information can be compared to the rabbit ears at the time the balls are drawn provided it is done without the knowledge of keno personnel and it is subsequently compared to the keno draw ticket.)

44. Documentation (e.g., logs, checklists, etc.) is maintained evidencing the performance of all keno audit procedures.

45. Non-keno management reviews keno audit exceptions, performs investigations into unresolved exceptions and documents results.

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Miscellaneous

46. Copies of all keno tickets and the film of the rabbit ears are maintained for at least 7 days.
47. All copies of winning keno tickets of \$1,500 or more are maintained for at least five years. This includes restricted copies (microfilm, videotape, etc.).
- Note: The restricted copy may be maintained in the form of a copy made from the microfilm, videotape, etc.**

Multi-Race

48. Procedures are established to notify keno personnel immediately of large multi-race winners to ensure compliance with Standard 22.
49. Controls exist to ensure that keno personnel are aware of multi-race tickets still in process at the end of a shift.